



J. TYLER McCAULEY
AUDITOR-CONTROLLER

**COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER**

KENNETH HAHN HALL OF ADMINISTRATION
500 WEST TEMPLE STREET, ROOM 525
LOS ANGELES, CALIFORNIA 90012-2766
PHONE: (213) 974-8301 FAX: (213) 626-5427

November 27, 2001

TO: Supervisor Michael D. Antonovich, Mayor
Supervisor Gloria Molina
Supervisor Yvonne Brathwaite Burke
Supervisor Zev Yaroslavsky
Supervisor Don Knabe

FROM: J. Tyler McCauley
Auditor-Controller

SUBJECT: **DEPARTMENT OF HEALTH SERVICES - HEALTH SERVICES
ADMINISTRATION COUNTY-WIDE TIMEKEEPING AND
PAYROLL/PERSONNEL SYSTEM FOLLOW-UP REVIEW**

We have completed a follow-up review of the Department of Health Services - Health Services Administration's (HSA) use of the County-wide Timekeeping and Payroll/Personnel System (CWTAPPS). Our initial audit, completed in August 1999, covered areas such as payroll processing, terminations, bonuses, time and attendance, leave accounting, industrial accidents, overtime, travel and data security. Our follow-up review was intended to assess HSA's progress in implementing the 30 recommendations from our prior report.

Status of Recommendations

Overall, HSA is taking action to implement the recommendations from our prior report and has strengthened its payroll controls by fully implementing 24 of the recommendations. However, four recommendations are partially implemented and two recommendations have not been implemented. HSA management needs to continue to ensure that all recommendations are implemented and remain implemented.

The status of the four partially implemented and two not implemented recommendations are discussed below:

Recommendation #1

HSA management ensure someone with no payroll responsibilities traces terminated employees' names to the Payroll Sequence Register for at least three consecutive months after termination.

Current Status: NOT IMPLEMENTED

This control is intended to ensure that employees are not paid after they are terminated. HSA has not yet assigned an employee the responsibility of tracing terminated employees' names to the Payroll Sequence Register for three consecutive months after termination. Although our review did not disclose any employees who received unauthorized pay, HSA management needs to ensure staff implements this procedure.

Recommendation #3

HSA management ensure that all manually calculated out-of-class bonuses (code 214) are recalculated each time the employees receiving these bonuses have a salary change.

Current Status: PARTIALLY IMPLEMENTED

County Code Section 6.10.040 states that an out-of-class bonus should be awarded to full-time permanent employees who perform all the significant duties of a vacant, allocated, funded position in a higher class for purposes other than training or as a result of an emergency.

There are two types of out-of-class bonuses, the Out-of-Class bonus (code 214) and the Out-of-Class Schedule/Level/Percent bonus (code 222). Code 214 is used when the bonus is less than two standard salary schedules and must be manually recalculated each time the employee has a salary change (e.g., step increase, cost of living increase, etc.). The code 222 bonus is used when the difference in salaries between the actual position and the out-of-class position is more than two standard salary schedules. CWTAPPS automatically recalculates this bonus each time an employee has a salary change.

Our initial report disclosed that HSA does not always recalculate code 214 bonuses when employees have a salary change. To address this problem, HSA developed procedures to review a monthly listing of out-of-class bonuses to ensure the bonus amounts are accurate. HSA has begun receiving these monthly listings, but has not begun reviewing them. HSA management needs to ensure that all out-of-class bonuses are computed properly each time the employees receiving these bonuses have a change in salary.

Recommendation #4

HSA management ensure the proper out-of-class bonus earnings code is entered into CWTAPPS.

Current Status: PARTIALLY IMPLEMENTED

During our initial review, six of the seven out-of-class bonuses reviewed were incorrectly coded as 214 bonuses and should have been coded as 222 bonuses. To address this problem, HSA developed procedures to review a monthly listing of out-of-class bonuses to ensure the bonus codes are accurate. HSA has begun receiving these monthly listings, but has not begun reviewing them. As a result, three of six bonuses we tested were incorrectly entered as code 214, instead of code 222. These employees were underpaid a total of \$2,257.

HSA management needs to monitor the monthly listing of out-of-class bonuses and ensure bonus codes are correctly entered into CWTAPPS. In addition, HSA needs to issue supplemental warrants to correct underpayments to employees caused by the use of incorrect bonus codes.

Recommendation #11

HSA management ensure payoffs are conducted at all locations at least twice a year by individuals with no other payroll or personnel responsibilities.

Current Status: PARTIALLY IMPLEMENTED

County Fiscal Manual Section 3.1.11 requires semi-annual payoffs, where payroll warrants and notices of direct deposit are released to employees only after each employee has shown proper identification and has signed for the warrant/notice. This helps ensure that only bona fide employees receive warrants/notices. Our initial audit disclosed that the Payroll Section was responsible for conducting payoffs. Having employees with payroll responsibilities conduct the payoffs violates the Fiscal Manual requirements and could result in payroll irregularities. Since our initial review, HSA has stopped having the Payroll Section conduct the payoffs. However, HSA has not assigned the responsibility for conducting payoffs to another section. HSA management needs to ensure compliance with this recommendation.

Recommendation #14

HSA management ensure continuous sick leave codes are properly utilized and recorded in CWTAPPS and seek reimbursement for the overpayment noted above.

Current Status: PARTIALLY IMPLEMENTED

During our initial review, we identified a \$723 overpayment due to improper coding of an employee's sick leave. HSA issued this employee an overpayment letter to obtain reimbursement. In addition, HSA stated that it now performs post audits to ensure that employees on extended sick leave are coded correctly. A post audit consists of a review by staff independent of the person who initially entered the information in CWTAPPS. We found that the post audits are not consistently performed. As a result, we noted an employee on extended sick leave who was coded absent without pay when the employee should have received 50% sick time. This resulted in a \$3,434 underpayment and incorrect leave balances.

Although HSA did seek reimbursement for the overpayment noted in the initial review, it still needs to ensure continuous sick leave codes are properly utilized and recorded in CWTAPPS. In addition, HSA should issue a supplemental warrant and correct the leave balances of the employee who was coded incorrectly.

Recommendation #24

HSA management periodically review employees' CWTAPPS access for appropriateness. Employees who have transferred or whose job responsibilities do not require CWTAPPS access should be deleted from the system.

Current Status: NOT IMPLEMENTED

HSA does not periodically review employees' CWTAPPS access for appropriateness. We noted four employees who have had CWTAPPS access for at least two years, but have never logged onto the system. In addition, six employees have not accessed CWTAPPS in over three years. To strengthen security controls, HSA management needs to ensure it thoroughly reviews employee CWTAPPS access for appropriateness. Employees who no longer require access should be deleted from the system.

Review of Report

We discussed our report with DHS management and provided the Department with a listing of overpayments and underpayments so it can investigate and take appropriate actions. The Department's attached response indicates that all outstanding recommendations will be implemented by February 15, 2002.

We would like to thank HSA management and staff for their cooperation and assistance during our audit. If you have any questions, please call me or have your staff contact DeWitt Roberts at (213) 974-0301.

JTM:DR:JS

c: David E. Janssen, Chief Administrative Officer
Violet Varona-Lukens, Executive Officer
Department of Health Services
Fred Leaf, Acting Director
Sachi Hamai, Inspection & Audit Division
Susan Montenegro, Acting Human Resource Manager
Public Information Office
Audit Committee



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FRED LEAF, Acting Director

COUNTY OF LOS ANGELES
DEPARTMENT OF HEALTH SERVICES
313 N. Figueroa, Los Angeles, CA 90012
(213) 240-8101

November 15, 2001

TO: J. Tyler McCauley
Auditor-Controller

FROM: Fred Leaf
Acting Director

SUBJECT: **HEALTH SERVICES ADMINISTRATION (HSA) COUNTY-WIDE
TIMEKEEPING & PERSONNEL/PAYROLL SYSTEM
FOLLOW-UP REVIEW**

As requested, attached are the responses to six Auditor-Controller recommendations that were found deficient in the HSA County-wide Timekeeping and Payroll/Personnel System Follow-up Review.

We concur with your recommendations. Two of the six outstanding recommendations are now fully implemented. Public Health Human Resources staff will take appropriate action to implement the remaining recommendations by February 15, 2002.

To date, the status of the recommendations is as follows:

AUDITOR-CONTROLLER RECOMMENDATION # 1

HSA management ensure someone with no payroll responsibilities traces terminated employees' names to the Payroll Sequence Register for at least three consecutive months after termination.

DHS Response

This recommendation has been implemented. An employee in Human Resources Administration, with no payroll responsibilities, has been identified to conduct the monthly review. The first review will be conducted on or about December 1, 2001.

AUDITOR-CONTROLLER RECOMMENDATION # 3

HSA management ensure that all manually calculated out-of-class bonuses (code 214) are recalculated each time the employees receiving these bonuses have a salary change.

DHS Response

This recommendation is partially implemented. A monthly bonus report has been developed for review and monitoring of out-of-class bonuses. The purpose is to check for step increases and COLAS for all out-of-class bonuses with a code of 214.

Written procedures are being developed to provide the Operations staff with clear guidelines on completion of this task. Target implementation date: January 31, 2002.

AUDITOR-CONTROLLER RECOMMENDATION # 4

HSA management ensure the proper out-of-class bonus earnings code is entered into CWTAPPS.

DHS Response

This recommendation is partially implemented. A monthly bonus report has been developed for review and monitoring out-of-class bonuses. This will ensure the proper bonus code 222 was entered into the system.

Written procedures are being developed to provide the Operations staff with clear guidelines on completion of this task. Target implementation date: January 31, 2002.

AUDITOR-CONTROLLER RECOMMENDATION # 11

HSA management ensure payoffs are conducted at all locations at least twice a year by individuals with no other payroll or personnel responsibilities.

DHS Response

This recommendation is partially implemented. Payroll payoff audits are coordinated through the Administrative Services and Support Section of Administrative and Financial Services for Public Health. Administrative Services and Support Section has assumed coordination of the HSA payoff audits. The audits will be conducted on the 15th of the month or the day the warrants are issued for that time period. The surprise audits are conducted by a team of employees from various Divisions. None of the auditors have payroll or personnel responsibilities. The auditors are required to report their findings to the payroll payoff coordinator. The payroll payoff coordinator in turn prepares a response to the applicable unit based on the auditor's review and follows up on the completion of recommendations. Administrative Services and Support Section will begin assigning staff to the payroll payoff audits for HSA pay locations beginning February 15, 2002.

AUDITOR-CONTROLLER RECOMMENDATION #14

HSA management ensure continuous sick leave codes are properly utilized and recorded in CWTAPPS and seek reimbursement for the overpayment noted above.

DHS Response

This recommendation is partially implemented. Payroll staff will be issued a memo reiterating the procedures for utilizing sick leave and Workers' Compensation AWOP recording codes in CWTAPPS, and seeking reimbursement for the overpayment. Target implementation date: January 31, 2002.

AUDITOR-CONTROLLER RECOMMENDATION # 24

HSA management periodically review employees' CWTAPPS access for appropriateness. Employees who have transferred or whose job responsibilities do not require CWTAPPS access should be deleted from the system.

DHS Response

This review process has been implemented. The manager of the Corporate Office of Human Resources Management Program and Development Division has been designated to review CWTAPPS access on a quarterly basis. The manager will profile the report and make appropriate changes as necessary.

If you have any questions or require additional information, please let me know.

SH:gm

c Fred Leaf
 Jim Schneiderman ✓
 Quentin O'Brien